**Council Tax Reduction Scheme**

**Background Information for 2015/16**

**Purpose**

To consider the options for the Council Tax Reduction Scheme (CTRS) for the financial year 2015/16.

**Background**

CTRS replaced Council Tax Benefits (CTB) in April 2013. Local authorities were given the power to set their own Council Tax rebate scheme. Funding for the scheme was set at 90% of the expenditure on Council Tax Benefit. For Camden this was £23.54m

Camden’s scheme for 2013/14 was based on the Council Tax Benefit Scheme with the exception that all working age claimants could only claim a rebate for a maximum of 91.5% of their Council Tax liability.

For 2014/15 the scheme was altered to allow an additional £10 per week of claimant’s earnings to be disregarded.

The council has to carry out an annual review of its CTRS scheme. The scheme for 2015/16 must be agreed by the 31st January 2015 Cabinet meeting.

**Options**

The options are:

* to make no changes
* Increase the maximum amount of CTRS from 91.5%. This means claimants would pay less Council Tax, but there would be an additional cost to the Council.
* to increase support for types of claimants such as families or the disabled. This would have to be funded by the Council.
* Reduce the maximum amount of CTRS from 91.5%. This means claimants would pay more and the Council would receive additional funding.
* to devise a completely new scheme

**No Change**

The current scheme is bedding in well and is straight forward to administer.

There has not been any significant number of complaints. Neither has there been any lobbying to change the scheme.

Council Tax collection rate for CTRS claimants is in line with the overall collection rate for all Council Taxpayers.

Across London there have been very few changes to CTRS in 2014/15.

**Increase the Maximum Amount from 91.5%**

For every 1% Increase in the maximum amount by will cost approximately £160k.

Any additional cost would have to be met by the Council.

The pressure on collection would be reduced, but only minimally.

It would be a risky move to increase the generosity of the scheme across the board when the pressure on budgets across the board is so great.

**Increasing the Maximum Amount for specific Groups**

There is a small capacity within the budget to increase CTRS.

If the Council were to increase the maximum amount of CTRS to cover the full Council Tax charge to all families, single parents or disabled claimants the increase in CTRS payments would be £1.98m, £389k or £205k respectively.

Any additional cost would have to be met by the Council.

**Reduce the Maximum Amount from 91.5%**

Decreasing the maximum amount by 1% would increase the income received by to the Council by approximately £160k, less any non-collection.

A modest percentage increase would increase pressure on claimants but the evidence to date in Camden and across London is that this would have minimal impact on the collection rate.

However, once we move into the 5%+ ranges, whilst non-collection will escalate because many will give up trying to pay altogether,  the real impact would come from protests, publicity and enquiries generated. This would eat up staff resources and have a noticeable impact on the overall collection rate. The introduction of 8.5% to pay resulted in a drop in collection of 0.4%. A further cut of a similar amount in support might see a fall of 1-2% which would be a loss of £1m to £2m against the collection fund.

Only three London Boroughs, Bexley, Harrow and Waltham Forest reduced their maximum CTRS for 2014/15. Whilst it is too early to forecast 2015/16, there is risk that Camden may be the only Council making this change.

**A New Scheme**

The administration of CTRS is both cheap and efficient as for the majority of claims we use information supplied by claimants as part their Housing Benefit Claim. Only 1,095 CTRS claimants out of a total of 24,892 claims do not claim Housing Benefit.

If changes made to CTRS are not related to the Housing Benefit there will be an increase in the cost of administering claims.

Also changes not related to Housing Benefit will require changes to the Benefits software and this will therefore incur a cost from our software provider.

Some Local Authorities, particularly those in the Universal Credit pilot areas, are looking at banded scheme. Our software provider is developing software to support this type of scheme.

A simpler banded scheme will be cost effective once the majority of CTRS claimants are claiming Universal Credit and have stopped claiming Housing Benefit. The current expectation is that Universal Credit will be rolled out in Camden in 2016/17.

**Consultation/Timescale**

Any decision to change CTRS must be agreed by the 31st January 2015.

The consultation on the 2015 – 2016 scheme will take place for six weeks from the 15th September 2014 to 31st October 2014.

**Conclusion**

Increasing the maximum amount of CTRS will increase budgetary pressures.

Reducing the maximum amount of CTRS will reduce costs but these will be partially off-set by a lower Council Tax collection rate.

Not changing the scheme will increase budgetary pressures due to the overall reduction in the Settlement Funding Assessment.

A final point to consider is that if Universal Credit comes to Camden in 2016/2017, we will need major changes to CTRS because claimants will no longer be claiming Housing Benefit and we will not receive the Administration Grant from the DWP.